

**Uintah Basin Association of Governments**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2005**

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# AYCOCK, MILES & ASSOCIATES, CPAs, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

Members of  
AMERICAN INSTITUTE  
OF CERTIFIED PUBLIC ACCOUNTANTS  
and  
UTAH ASSOCIATION  
OF CERTIFIED PUBLIC ACCOUNTANTS

### Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, each major fund, aggregate remaining fund information, and budgetary comparison information of the Uintah Basin Association of Governments as of and for the year ended June 30, 2005, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, aggregate remaining fund information, and budgetary comparison information of the Association as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2005 on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Associations as referred to above. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

**Aycock, Miles & Associates, CPAs**

December 16, 2005

## **Management's Discussion and Analysis**

As management of the Uintah Basin Association of Governments (the Association), we offer readers of the Association's financial statements this narrative overview and analysis of financial activities of the Association for the fiscal year ended June 30, 2005.

### **Financial Highlights**

- Assets exceeded liabilities at closest year-end: \$4,474,784 - \$1,687,188 = \$2,787,596. Of this amount, \$216,470 is unrestricted and available to meet the Association's ongoing obligations.
- Net assets increased \$343,696 largely due to grant revenues for the Association's new office building.
- Fund balances increased \$132,704.
- The Association's long-term obligations decreased \$25,000 from \$538,000 to \$513,000.
- In the fall of 2004, the Association's new office building and food pantry was completed. Construction and land costs were about \$1.9 million. Two loans for a total of \$555,000 were the only debt associated with the building's construction. All other financing was from grants.
- Outstanding loans to businesses in the Uintah Basin from the three revolving loan funds decreased \$96,043 or 12.8% from \$754,909 to \$658,866.
- Grants revenues managed by the Association (excluding the Association's office building) increased \$188,011 from \$2,622,265 to \$2,810,276.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Association's basic financial statements. The Association's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements**—The government-wide financial statements are designed to provide readers with a broad overview of the Association's finances, in a manner similar to a private-sector businesses.

The statement of net assets present information on all of the Association's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Association that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Association include general administration and multiple grant management. The Association has no business-type or fiduciary activities.

Governmental-wide financial statements can be found on pages 8-9 of this report.

**Fund financial statements**—A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Association can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The Association does not have any proprietary funds or fiduciary funds.

**Governmental funds**—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of the revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Association maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and special revenue fund both of which are considered to be major funds.

The Association adopts an annual appropriated budget for its general fund and special revenue fund. A budgetary comparison statement has been provided for the major funds to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-24 of this report.

### **Government-wide Financial Analysis**

**Government Net Assets**—As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$2,787,596 at the close of the most recent fiscal year.

The largest portion of the Association's net assets were capital assets (equipment, buildings and land) less related debt still outstanding at 62.4%. Restricted assets comprise net assets related to grant and revolving loan contracts at 29.8%. Unrestricted net assets which may be used to meet the government's ongoing obligations to citizens and creditors comprised 7.8%. The Association uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Association's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate any liabilities.

Net Assets	Governmental Activities	
	2005	2004
Current and other assets	\$ 2,221,265	\$ 2,090,955
Capital assets net of depreciation	<u>2,253,519</u>	<u>2,067,527</u>
Total assets	4,474,784	4,158,482
Current liabilities	1,199,188	1,176,582
Long-term liabilities	<u>488,000</u>	<u>538,000</u>
Total liabilities	1,687,188	1,714,582
Net assets:		
Invested in capital assets, net of related debt	1,740,519	1,529,527
Restricted	830,607	795,220
Unrestricted	<u>216,470</u>	<u>119,153</u>
Total net assets	<u>\$ 2,787,596</u>	<u>\$ 2,443,900</u>

The Association's net assets increased \$343,696 during the current fiscal year. The increase is largely due to the recognition of grants related to the construction of the new office building. The next chart will outline the changes in net assets.

**Government activities**—Governmental activities increased the Association's net assets by \$343,696, thereby accounting for 100% of the growth in total net assets. Key elements of this increase are as follows.

Change in Net Assets	Governmental Activities	
	2005	2004
Program revenues:		
Charges for services	\$ -	\$ -
Operating grants	2,980,804	2,772,176
Capital grants	165,999	428,013
General revenues:		
Taxes	-	-
Earnings on investments	<u>35,423</u>	<u>40,471</u>
Total revenues	3,182,226	3,240,660
Expenses:		
Administration	102,091	48,387
Regional planning	160,124	172,548
Weatherization and heating	424,707	459,364
Aging and adult services	802,399	729,554
Housing assistance	824,675	559,128
Economic development	201,063	256,747
Critical needs services	323,471	491,269
Total expenses	<u>2,838,530</u>	<u>2,716,997</u>
Increase in net assets	<u>\$ 343,696</u>	<u>\$ 523,663</u>

Revenues from capital grants decreased \$262,014 and operating grants increased \$208,628. Operating grant revenues increased due to changes in a number of grants managed by the Association. Operating grants (the principal operations of the Association) will vary from year to year as funding from State and Federal contracts ebb and flow. Critical needs services decreased but housing assistance increased. Administration costs also grew as the Association went through its first year in its new building.

### **Financial Analysis of the Government's Funds**

The Association uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**—The focus of the Association's governmental funds is to provide information on near-term flows, outflows, and balances of spendable resources. Such information is useful in assessing the Association's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Association's governmental funds reported combined ending fund balances of \$1,047,077, an increase of \$132,704 in comparison with the prior year. Of this total amount, the unreserved fund balance is \$100,685, the reserved balance is \$830,607, and the designated balance is \$115,785. Unreserved balances are available for spending at the government's discretion. Reserved balances are set aside for their grant or special revenue purposes. The designated balances have been earmarked by the management for certain purposes; however, the Association is not bound by these purposes and can reallocate the funds back to the general fund.

The general fund is the chief operating fund of the Association. At the end of the current fiscal year, unreserved fund balance of the general fund was \$100,685, while total general fund balance was \$116,470. As a measure of the general fund's liquidity, it may be useful to compare both unreserved general fund balance and total fund balance to total general fund administrative expenditures. Unreserved fund balance represents 117% of total general fund administrative and debt service expenditures.

The Association's general fund balance increased by \$97,317 during the current fiscal year. The general fund increased because administration, debt service and capital outlay towards their new office building were less than operating grants and capital grants.

The special revenue fund has a total fund balance of \$930,607, an increase of \$35,387 from the previous year. Typically, all the projects within the special revenue fund break even regarding net incomes because grant revenues are not earned until expended; however, small amounts of net income come from interest earnings from the revolving loan funds that exceed bad debt expenses.

### **Fund Budgetary Highlights**

No amendments were made to the funds' original budgets to cover deviations from projected expenses.

### **Capital Asset and Debt Administration**

**Capital assets**—The Association's investment in capital assets for its governmental activities as of June 30, 2005 and 2004 amount to \$2,253,519 and \$2,067,527 (net of accumulated depreciation), respectively. These capital assets range from office equipment to vehicles, equipment and buildings. Net capital assets increased \$185,992. Net capital assets increased because additions of \$310,491 were greater than depreciation of \$118,823 and dispositions of \$5,676.

Net Capital Assets	Governmental Activities	
	2005	2004
Capital assets net of depreciation	\$ 2,036,519	\$ 1,920,527
Land	217,000	147,000
Total	<u>\$ 2,253,519</u>	<u>\$ 2,067,527</u>

**Long-term debt**—The Association decreased its long-term debt \$25,000 from \$538,000 to \$513,000. The Association does not maintain a debt rating. State statutes limit the amount of general obligation bond debt and do not limit the amount of revenue bond debt. In either case, an election must be held although there are some exceptions to revenue bond issuance. The Association's ending long-term debt balance of \$513,000 is lease revenue bond debt that is bonded in the name of Roosevelt City.

#### **Economic Factors and Next Year's Budgets and Rates**

The amount of resources available to the Association hinges on the availability of state and federal grants from year to year. General fund and special revenue fund budgets are similar to fiscal year-end 2006. The Association has no budgeted tax revenues.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Association's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Uintah Basin Association of Governments, Lyle Lemon, Business Manager, 330 East 100 South, Roosevelt, Utah 84066.



Uintah Basin Association of Governments  
**Statement of Net Assets**  
 June 30, 2005

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash & savings	\$ 589,554
Cash--revolving loan funds	137,745
Accrued grant revenues	381,767
Interest receivable	2,194
Housing assistance receivables	-
Revolving business loan receivables	658,866
Allowance for doubtful business loans	(68,939)
Other assets	734
Land (lots) held for resale	494,285
Inventory for weatherization	25,059
Total current assets	<u>2,221,265</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	2,036,519
Land	217,000
Total noncurrent assets	<u>2,253,519</u>
Total Assets	<u>\$ 4,474,784</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 279,924
Wages payable	34,966
Deferred grant revenue	290,117
Accrued annual & comp leave	24,474
Working capital loans	43,250
Unappropriated interest	10,937
Notes payable, current	515,520
Total current liabilities	<u>1,199,188</u>
Noncurrent liabilities:	
Long-term obligations	488,000
Total noncurrent liabilities	<u>488,000</u>
Total liabilities	<u>1,687,188</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,740,519
Restricted assets	830,607
Unrestricted assets	216,470
Total net assets	<u>2,787,596</u>
Total Liabilities and Net Assets	<u>\$ 4,474,784</u>

See accompanying notes. Page 8

Uintah Basin Association of Governments  
**Statement of Activities**  
 For the Year Ended June 30, 2005

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities
<b>Governmental Activities:</b>					
Administration	\$ 102,091	\$ -	\$ 203,852	\$ 165,999	\$ 267,760
Regional Planning	160,124	-	157,064	-	(3,060)
Weatherization & Heating Services	424,707	-	411,379	-	(13,328)
Aging & Adult Services	802,399	-	804,371	-	1,972
Housing Assistance	824,675	-	828,170	-	3,495
Economic Development	201,063	-	202,312	-	1,249
Critical Needs Services	323,471	-	373,656	-	50,185
<b>Total</b>	<b>\$ 2,838,530</b>	<b>\$ -</b>	<b>\$ 2,980,804</b>	<b>\$ 165,999</b>	<b>308,273</b>
<b>General Revenues:</b>					
Property taxes					
Earnings on investments					
Total General Revenues					
Change in Net Assets					
Beginning Net Assets					
Ending Net Assets					

Uintah Basin Associations of Governments  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**  
June 30, 2005

**Total Fund Balances for Governmental Funds** **\$ 1,047,077**

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of the following:

Land, equipment and buildings	2,594,643	
Accumulated depreciation	<u>(341,124)</u>	
		2,253,519

Long-term obligations are due and payable in the current period and therefore are not reported in the funds.	<u>(513,000)</u>
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**Total Net Assets of Governmental Activities** **\$ 2,787,596**

**Duchesne County Water Conservancy District**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2005**

**Net Change in Fund Balances--Total Governmental Funds** **\$ 132,704**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	310,492	
Loss on disposition of assets	(5,677)	
Depreciation	<u>(118,823)</u>	
		185,992

Governmental funds report debt services as an expenditure. However, repayment of debt does not affect the statement of activities but rather is a reduction of the statement of net assets' liability.

25,000

**Change in Net Assets of Governmental Activities**

**\$ 343,696**

Uintah Basin Association of Governments  
**Balance Sheet--Governmental Funds**  
 June 30, 2005

	General	Special Revenue	Total
<b>Assets</b>			
Cash & savings	\$ 145,407	\$ 444,147	\$ 589,554
Cash--revolving loan funds	-	137,745	137,745
Accrued grant revenues	-	381,767	381,767
Interest receivable	-	2,194	2,194
Housing assistance receivables	-	-	-
Revolving business loan receivables	-	658,866	658,866
Allowance for doubtful business loans	-	(68,939)	(68,939)
Other assets	-	734	734
Land (lots) held for resale	-	494,285	494,285
Inventory for weatherization	-	25,059	25,059
Total Assets	<u>\$ 145,407</u>	<u>\$ 2,075,858</u>	<u>\$ 2,221,265</u>
<b>Liabilities and Equity</b>			
Liabilities:			
Accounts payable	\$ -	\$ 279,924	\$ 279,924
Wages payable	-	34,966	34,966
Deferred grant revenue	-	290,117	290,117
Accrued annual & comp leave	-	24,474	24,474
Working capital loans	18,000	25,250	43,250
Unappropriated interest	10,937	-	10,937
Notes payable, current	-	490,520	490,520
Total Liabilities	28,937	1,145,251	1,174,188
Fund Balances:			
Designated balances	15,785	100,000	115,785
Reserved balances	-	830,607	830,607
Undesignated balances	100,685	-	100,685
Total Fund Equity	<u>116,470</u>	<u>930,607</u>	<u>1,047,077</u>
Total Liabilities and Fund Equity	<u>\$ 145,407</u>	<u>\$ 2,075,858</u>	<u>\$ 2,221,265</u>

Uintah Basin Association of Governments  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
 For the Year Ended June 30, 2005

	General	Special Revenue	Total
<b>Revenues</b>			
Federal	\$ 9,067	\$ 580,494	\$ 589,561
Federal thru State	23,527	1,073,153	1,096,680
State	165,711	621,981	787,692
Interest	2,099	33,324	35,423
Other, local	171,546	501,324	672,870
Total Revenues	371,950	2,810,276	3,182,226
<b>Expenditures</b>			
Administration:			
Administration	61,388	-	61,388
Capital outlay	188,245	-	188,245
Debt service	25,000	-	25,000
Regional Planning	-	157,064	157,064
Weatherization & Heating Services	-	410,313	410,313
Aging & Adult Services	-	804,371	804,371
Housing Assistance	-	828,170	828,170
Economic Development	-	201,315	201,315
Critical Needs Services	-	373,656	373,656
Total Expenses	274,633	2,774,889	3,049,522
Excess (deficiency) of revenue over expenditures	97,317	35,387	132,704
<b>Other Financial Sources &amp; (Uses)</b>			
Note payable proceeds	-	-	-
Operating transfers	-	-	-
Excess (deficiency) of revenue over expenditures after other sources & uses	97,317	35,387	132,704
Fund Balances—Beginning of Year	19,153	895,220	914,373
Fund Balances—End of Year	\$ 116,470	\$ 930,607	\$ 1,047,077

Uintah Basin Association of Governments  
**Budgetary Comparison Schedule**  
**General Fund**  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Federal	\$ 9,000	\$ 9,000	\$ 9,067	\$ 67
Federal thru State	23,000	23,000	23,527	527
State	165,000	165,000	165,711	711
Interest	5,000	5,000	-	(5,000)
Other, local	175,000	175,000	173,645	(1,355)
Total Revenues	377,000	377,000	371,950	(5,050)
<b>Expenditures:</b>				
Administration:				
Administration	179,141	179,141	84,334	94,807
Capital outlay	165,369	165,369	165,299	70
Debt service	26,000	26,000	25,000	1,000
Regional Planning	-	-	-	-
Weatherization & Heating Services	-	-	-	-
Aging & Adult Services	-	-	-	-
Housing Assistance	-	-	-	-
Economic Development	-	-	-	-
Critical Needs Services	-	-	-	-
Total Expenses	370,510	370,510	274,633	95,877
Excess (deficiency) of revenue over expenditures	6,490	6,490	97,317	90,827
<b>Other Financial Sources &amp; (Uses):</b>				
Note payable proceeds	-	-	-	-
Operating transfers	-	-	-	-
Excess (deficiency) of revenue over expenditures after other sources & uses	6,490	6,490	97,317	90,827
Fund Balances—Beginning of Year	19,153	19,153	19,153	-
Fund Balances—End of Year	\$ 25,643	\$ 25,643	\$ 116,470	\$ 90,827

Uintah Basin Association of Governments  
**Budgetary Comparison Schedule**  
**Special Revenue Fund**  
 For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Federal	\$ 580,000	\$ 580,000	\$ 580,494	\$ 494
Federal thru State	1,061,649	1,061,649	1,072,156	10,507
State	945,197	945,197	621,981	(323,216)
Interest	40,500	40,500	34,321	(6,179)
Other, local	299,000	299,000	501,324	202,324
Total Revenues	2,926,346	2,926,346	2,810,276	(116,070)
<b>Expenditures:</b>				
Administration:				
Administration	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Regional Planning	160,000	160,000	157,064	2,936
Weatherization & Heating Services	373,980	373,980	410,313	(36,333)
Aging & Adult Services	826,963	826,963	804,371	22,592
Housing Assistance	1,057,158	1,057,158	828,170	228,988
Economic Development	304,314	304,314	201,315	102,999
Critical Needs Services	410,790	410,790	373,656	37,134
Total Expenses	3,133,205	3,133,205	2,774,889	358,316
Excess (deficiency) of revenue over expenditures	(206,859)	(206,859)	35,387	242,246
<b>Other Financial Sources &amp; (Uses):</b>				
Note payable proceeds	-	-	-	-
Operating transfers	-	-	-	-
Excess (deficiency) of revenue over expenditures after other sources & uses	(206,859)	(206,859)	35,387	242,246
Fund Balances—Beginning of Year	895,220	895,220	895,220	-
Fund Balances—End of Year	\$ 688,361	\$ 688,361	\$ 930,607	\$ 242,246



**Uintah Basin Association of Governments**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2005*

**NOTE 1     Summary of Significant Accounting Policies**

**Reporting Entity**—Uintah Basin Association of Governments was established in 1973 under the authority of the Utah Inter-Local Cooperation Act of 1965. The Association is a voluntary organization of governments whose general purpose is to facilitate intergovernmental cooperation and to coordinate federal, state, and local programs for the solution of mutual problems of the region. The governing body consists of a Board of Directors made up of County Commissioners and Mayors from Daggett, Duchesne, and Uintah Counties. The Association board is advised by two other Boards of Directors, namely the Revolving Fund Loan Board (RLF), and the Area Advisory Council Board (AAA). The RLF Board advises the RLF loan program and the AAA advises the Adult Aging Programs.

Transactions of the Uintah Basin Economic Development District are accounted for by the Association in the Special Revenue Fund. The Development District was organized under the laws of the State of Utah as a nonprofit corporation in June, 1976. The Development District is governed by a Board of Trustees consisting of the executive committee of Association plus a minimum of 35 percent of the trustees from the private industry sector.

The accounting policies of the Uintah Basin Association of Governments conform to generally accepted accounting principles as applicable to governmental units. For financial reporting purposes, the Association has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Association are such that exclusion would cause the Association's financial statements to be misleading or incomplete.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include (1) appointing a voting majority of an organization's governing body, (2) the ability of the Association to impose its will on that organization or (3) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Association. At this time, the Association has no component units and is not a component unit of another entity.

As required by generally accepted accounting principles, these financial statements present the Uintah Basin Association of Governments.

**Government-Wide and Fund Financial Statements**—The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent of fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Uintah Basin Association of Governments**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2005*

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Association reports the following two major governmental funds. There are no other funds.

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *special revenue fund* is used to account for the expenditures of grant revenues from federal, state and local sources.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**Deposits and Investments**—The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Receivables and Payables**—All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectibles. Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (i.e., current portion of interfund loans) or "advances from/to other funds" (i.e., the noncurrent portion of interfund loans). Advances between funds, as reported in the fund financial

**Uintah Basin Association of Governments**  
**NOTES TO FINANCIAL STATEMENTS**  
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statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**Property Taxes**—The Association does not assess a property tax and is not allowed to assess a property tax.

**Inventories and Prepaid Items**—All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**—At times, the Association may have funds set aside that are legally restricted or their use is limited by certain covenants. These restricted assets are generally spent first when eligible expenses are available.

**Capital Assets**—Capital assets, which include property and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Useful lives are listed below.

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	5-15
Furniture & fixtures	10-15
Equipment	5-7
Vehicles	5-10
Office equipment	2-10
Computer equipment	3-6

**Compensated Absences**—The Association's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation is payable as it matures. Sick-time is only available upon illness. Employees may elect to accumulate 80 hours of vacation to be carried forward to the next calendar year. Any vacation accumulated in excess of 80 hours, not taken during the current year, is forfeited. There is no limit to carry-forward of sick time accumulation. The total amount of accumulated unpaid vacation and sick time is \$24,474.

**Long-term Obligations**—In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal payments and issuance costs (whether or not withheld from the actual debt proceeds received) are reported as debt service expenditures.

**Uintah Basin Association of Governments**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2005*

**Fund Equity**—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications**—Comparative total data for the prior year, if presented, have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**Indirect Cost Allocation**—The Association automatically allocates indirect costs by function; therefore, expenses reported for functional activities include allocated indirect expenses.

**Use of Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Budgetary Data**—Budgets are presented on the modified accrual basis of accounting for all governmental funds of the Association. The following procedures are used in establishing the budgetary data:

- During May and June of each year, the Association prepares the budget for Association's funds.
- Budgets have to be approved and adopted by the Association Board of Directors.
- Budget shall be in effect subject to later amendment and shall be available for public inspection.
- Board may, by resolution, transfer unexpended appropriation from one department to another department within the same fund or they may reduce the budget in any department or fund. Specific restrictions apply.
- Board may increase the total budget although it did not do so in the most recent year-end.

**NOTE 2     Deposits and Investments**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Association follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Association funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Uintah Basin Association of Governments**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2005*

**Summary of Deposits and Investments**

Reconciliation to the Balance Sheet			
Balance Sheet		Deposits & Investments	
Cash & savings	\$ 589,554	Checking	\$ 554,112
Cash--revolving loan funds	137,745	Utah Public Treasurer Pool	28,937
	-	Olene Walker loan escrow	144,250
Totals	<u>\$ 727,299</u>		<u>\$ 727,299</u>

**Deposits**

***Custodial Credit Risk***—Custodial credit risk is the risk that, in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$354,112 of the Association's bank balances of \$554,112 was uninsured and uncollateralized.

**Investments**

The Money Management Act defines the types of securities authorized as appropriate investments for the Association and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Association to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses (net of administration fees), of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2005, the Association had the following investments and maturities:

**Uintah Basin Association of Governments**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2005*

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's					
Investment Fund	28,937	28,937	-	-	-
Olene Walker Escrow	144,250	144,250	-	-	-

**Interest Rate Risk**—Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Association's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed income securities to exceed ten years.

**Credit Risk**—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

At June 30, 2005, the Association had the following investments and quality ratings:

Investment Type	Fair Value	Quality Rating			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's					
Investment Fund	559,684	-	-	-	559,684
Olene Walker Escrow	144,250	-	-	-	144,250

**Concentration of Credit Risk**—Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Association's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

**Uintah Basin Association of Governments**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2005*

**NOTE 3 Capital Assets**

The following reflects the changes in capital assets and depreciation for the Association.

	June 30, 2004	Increases	Decreases	June 30, 2005
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 147,000	\$ 70,000	\$ -	\$ 217,000
Total capital assets not being depreciated	147,000	70,000	-	217,000
Capital assets being depreciated:				
Buildings:				
Administration	1,581,046	165,999	-	1,747,045
Equipment & furniture:				
Administration	23,867	22,246	450	45,663
Aging and adult services	76,867	10,056	3,979	82,944
Economic development	32,718	1,242	28,102	5,858
Critical needs services	192,058	5,514	-	197,572
Housing assistance	70,739	23,237	6,209	87,767
Regional planning	44,125	2,469		46,594
Weatherization	179,355	9,728	24,882	164,201
Total capital assets being depreciated	2,200,775	240,491	63,622	2,377,644
Accumulated depreciation:				
Buildings	-	34,941	-	34,941
Equipment & furniture	280,248	83,882	57,946	306,184
Total accumulated depreciation	280,248	118,823	57,946	341,125
Total capital assets being depreciated, net	1,920,527	121,668	5,676	2,036,519
Governmental activities capital assets, net	\$ 2,067,527	\$ 191,668	\$ 5,676	\$ 2,253,519

Depreciation expense for the year ended June 30, 2005 was allocated to functions of the Association as follows:

	2005
Administration	\$ 40,704
Aging and adult services	8,084
Economic development	990
Critical needs services	25,329
Housing assistance	14,065
Regional planning	5,529
Weatherization	24,122
Total depreciation	\$ 118,823

**Utah Basin Association of Governments**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2005*

**NOTE 4    Employer Contributing to a Cost-sharing Multiple- Employer Defined Benefit Pension Plan**

**Plan Description.** U.B.A.O.G. contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental

Contributory Retirement System and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** For July 2004 to June 2005, plan members in the Local Governmental Noncontributory Retirement System are required to contribute 0.00% of their annual covered salary (0.00% is paid by U.B.A.O.G. for the employee) and U.B.A.O.G. is required to contribute 11.90% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

**Contributions.** U.B.A.O.G. contributions to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2005, 2004, and 2003 were as follows. The contributions were equal to the required contributions for each year.

Salary Subject to Retirement		Employer Paid for Employee		
Contributions	Year ended June 30	Employee Paid Contributions	Contributions	Employer Contributions
712,489	2005	n/a	n/a	79,015
641,163	2004	n/a	n/a	61,680
597,452	2003	n/a	n/a	51,919

Utah Basin Association of Governments participates in a 457 Deferred Compensation Plan and a 401(k) plan. For more information pertaining to this, call the ICMA Retirement Corporation at 1-800-326-7272.

**Note 5    Accounts Receivable Balances**

A majority of the revolving loan funds receivable balance is not expected to be paid within one year.



**Uintah Basin Association of Governments**  
**NOTES TO FINANCIAL STATEMENTS**  
*June 30, 2005*

**NOTE 6 Long-term Debt and Capital Lease**

Loan Identification	Description of Details
2003 Capital Lease	\$210,000 issued April, 2003; 0.0% interest; payments begin March, 2005 averaging \$8,500/year thru March 2029, lease with Roosevelt City M.B.A.
2001 Capital Lease	\$345,000 issued August, 2001; 0.0% interest; payments begin March, 2004 averaging \$17,500/year thru March 2023, lease with Roosevelt City M.B.A.
2002 Olene Walker	\$402,000 Trust Deed issued September, 2002; 0.0% interest; payments begin as collateral (Pepperridge lots) are sold, entire balance is current because all lots are expected to be sold fiscal year 2005.
2003 Self-help 502	\$36,375 issued June, 2003; 0.0% interest, payments are made as home building progress; entire balance is current liability because of the nature of the loan.
2004 Olene Walker	\$288,500 Trust Deed issued September, 2004; 0.0% interest; payments begin as collateral (Southridge lots) are sold, entire balance is current because all lots are expected to be sold fiscal year 2006.
2004 Housing Assistance Council	\$202,020 Trust Deed issued September, 2004; 0.0% interest; payments begin as collateral (Southridge lots) are sold, entire balance is current because all lots are expected to be sold fiscal year 2006.

Loan	June 30, 2004	Additions	Payments	June 30, 2005	Current Portion
2003 Capital Lease	\$ 210,000	\$ -	\$ (17,000)	\$ 193,000	\$ 17,000
2001 Capital Lease	328,000	-	(8,000)	320,000	8,000
2002 Olene Walker	324,500	-	(324,500)	-	-
2003 Self-help 502	33,715	-	(33,715)	-	-
2004 Olene Walker	-	288,500	-	288,500	288,500
2004 Housing	-	202,020	-	202,020	202,020
Totals	<u>\$ 896,215</u>	<u>\$ 490,520</u>	<u>\$ (383,215)</u>	<u>\$ 1,003,520</u>	<u>\$ 515,520</u>

The general fund has been making the capital lease payments and the special revenue fund has made all other loan payments. Required principal and interest payments on long-term debt are as follows:

Year	Principal	Interest
2006	\$ 515,520	\$ -
2007	25,000	-
2008	25,000	-
2009	25,000	-
2010	25,000	-
2011-2015	125,000	-
2016-2020	128,000	-
2021-2025	99,000	-
2026-2029	36,000	-
Totals	<u>\$ 1,003,520</u>	<u>\$ -</u>

Government Reports

**Uintah Basin Association of Governments**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2005

Federal Grant	C.F.D.A. No.	Pass-through Number	Federal Expenditure
<b>Federal Direct:</b>			
<u>Dep't of Health &amp; Human Services</u>			
<u>Corporation for National &amp; Community Services</u>			
RSVP	94.002	n/a	\$ 47,481
Foster Grandparent	94.011	n/a	240,904
Total			288,385
<u>Federal Emergency Management Agency</u>			
FEMA Phase 2005	83.523	n/a	11,341
FEMA Phase 2004	83.523	n/a	17,454
Total			28,795
<u>Department of Agriculture</u>			
<u>Rural Business--Cooperative Service</u>			
Rural Development	10.769	n/a	9,067
Rural Self-help Housing Technical Assistance	10.420	n/a	204,954
Total			214,021
<u>Department of Commerce</u>			
Revolving Loan Fund--E.D.D.	11.307	n/a	-
Economic Development	11.302	n/a	51,000
Total			51,000
Total: Federal Direct			582,201
<b>Federal Indirect thru State:</b>			
<u>Department of Agriculture</u>			
<u>Utah Department of Education</u>			
Emergency Food Distribution	10.550	n/a	7,361
Total			7,361
<u>Department of Homeland Security</u>			
<u>Utah Department of Emergency Services</u>			
Disaster Mitigation	83.548	4.0968	7,472
Total			\$ 7,472

Federal Grant	C.F.D.A. No.	Pass-through Number	Federal Expenditure
<u>Department of Energy</u>			
<u>Utah Dep't of Natural Resources--Div of Energy</u>			
Weatherization Assistance	81.042	5.0608	\$ 106,363
Total			106,363
<u>Department of Housing &amp; Urban Development</u>			
<u>Utah Dep't of Community &amp; Economic Dev.</u>			
Emergency Shelter	14.231	5.0445	13,427
CDBG	14.228	4.2082	70,000
CDBG	14.228	4.1883	6,522
CDBG	14.228	5.0530	6,466
CDBG	14.228	5.1391	6,000
CDBG	14.228	4.0877	45,022
CDBG	14.228	4.2080	18,000
CDBG	14.228	5.0538	50,004
CDBG	14.228	4.0400	11,287
CDBG	14.228	4.1123	3,533
CDBG	14.228	4.0881	13,790
CDBG	14.228	4.0781	9,737
Total			253,788
<u>Department of Health &amp; Human Services</u>			
<u>Utah Dep't of Human Services--Div of Energy</u>			
LIHEAP (HEAT)	93.558	4.1074	7,714
LIHEAP (HEAT)	93.558	5.1414	134,294
LIHEAP	93.568	3.1385	84,315
LIHEAP	93.568	5.1652	-
LIHEAP	93.568	4.1758	64,293
Total			290,616
<u>Utah Dep't of Community and Economic Dev.</u>			
CSBG	93.569	5.1504	83,007
CSBG	93.569	4.1325	28,121
Total			111,128
<u>Utah Dep't of Human Services</u>			
SSBG	93.667	5.0275	51,072
Total			51,072
<u>Utah Division of Aging &amp; Adult Services</u>			
Aging & Adult Services	93.041-93.045	4.2188	268,130
Total			268,130
Total Indirect: Federal thru State			1,095,930
Grand Total: All Federal Assistance			\$ 1,678,131

NOTE A: The accompanying schedule of expenditures of federal awards is a summary of the activity of U.B.A.G.'s federal awards programs presented on the modified-accrual basis of accounting in accordance with generally accepted accounting principles.

NOTE B: The Association administers three revolving loan grant programs: 1) Economic Development Agency, 2) Community Development Block Grant and 3) a Rural Development loan program. Net income or losses are closed to fund balance in the special revenue fund in order to fund future loans. These three loan programs allow a specific percentage for administration fees which are revenues to another project set up to post all expenses related to revolving loan programs. If administration fees charged to the revolving loan programs exceed the expenses to operate the loan program, then the difference is recorded as deferred revenue which will be earned in future periods. The Economic Development Agency and the Community Development Block Grant revolving loan programs made three additional loans for the fiscal year ended June 30, 2005 totaling \$11,000. Outstanding loan balances for the Economic Development Agency, Community Development Block Grant and Rural Development loan programs are \$353,388, \$166,422, and \$57,056, respectively.



**AYCOCK, MILES & ASSOCIATES, CPAs, P.C.**

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**Report on Compliance and on Internal Control Over Financial Reporting Based on an  
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

Honorable Board of Directors  
Uintah Basin Association of Governments  
Roosevelt, Utah 84066

We have audited the general purpose financial statements of the Uintah Basin Association of Governments as of and for the year ended June 30, 2005, and have issued our report thereon dated December 16, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Uintah Basin Association of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Uintah Basin Association of Governments' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Information**

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Aycock, Miles & Associates, CPAs**

December 16, 2005



**AYCOCK, MILES & ASSOCIATES, CPAs, P.C.**

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UTAH ASSOCIATION  
OF CERTIFIED PUBLIC ACCOUNTANTS

**Report on Compliance With Requirements Applicable to Each Major Program And Internal  
Control Over Compliance in Accordance With OMB Circular A-133**

Honorable Board of Directors  
Uintah Basin Association of Governments  
Roosevelt, Utah 84066

**Compliance**

We have audited the compliance of the Uintah Basin Association of Governments with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Uintah Basin Association of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Uintah Basin Association of Governments' management. Our responsibility is to express an opinion on the Uintah Basin Association of Governments' compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Uintah Basin Association of Governments' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Uintah Basin Association of Governments' compliance with those requirements.

In our opinion, the Uintah Basin Association of Governments complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

**Internal Control Over Compliance**

The management of the Uintah Basin Association of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Uintah Basin Association of Governments' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Information

This report is intended for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Aycock, Miles & Associates, CPAs*

December 16, 2005



## **Schedule of Findings and Questioned Costs, Prior and Current**

This report discusses four key areas: 1) a summary of auditors' results, 2) findings related to the financial statements, 3) findings and questioned costs related to federal awards, and 4) findings related to Utah State compliance requirements.

### **Summary of Auditors' Results**

#### Financial Statement Opinion

The auditors' report expresses an unqualified opinion on the financial statements of the Association.

#### Internal Control Reportable Conditions

No reportable conditions were disclosed during the audit of the Association's financial statements.

#### Noncompliance Material to the Financial Statements

No instances of noncompliance material to the financial statements of the Association were disclosed during the audit.

#### Major Program Internal Controls Over Compliance

No reportable conditions relating to the audit of the major federal award programs are indicated in the report on compliance and internal controls over compliance for major programs.

#### Opinion on Compliance for Major Programs

In our opinion, the Association complied, in all material respects, with compliance requirements, laws, and regulations applicable to its major programs.

#### Audit Findings Required to be Disclosed under OMB A-133 § .510(a) for Major Programs

There were no reportable conditions regarding compliance or internal controls over major programs that are required to be reported under OMB A-133 § .510(a).

#### Major Programs Identified

Based on the high and low-risk criteria and threshold amounts, there were two major programs identified: 1) Mutual Self-help Housing Technical Assistance (CFDA # 10.420), and 2) Foster Grandparent (CFDA # 94.011).

#### Dollar Threshold Used to Determine Type A & B Programs

The threshold used in this Single Audit was \$300,000 in determining Type A or B programs.

#### Low-Risk or High-Risk Auditee

The Association qualified to be a low risk auditee.

**Findings Related to The Financial Statements**

Prior Year Findings

There are no prior year findings in this area.

Current Year Findings

There are no current year findings in this area.

**Findings and Questioned Costs Related to Federal Awards**

Prior Year Findings

There are no prior year findings in this area.

Current Year Findings

There are no current year findings in this area.

**State of Utah General Compliance**

Prior Year Findings

There are no prior year findings in this area.

Current Year Findings

There are no current year findings in this area.



**AYCOCK, MILES & ASSOCIATES, CPAs, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

Members of  
AMERICAN INSTITUTE  
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and  
UTAH ASSOCIATION  
OF CERTIFIED PUBLIC ACCOUNTANTS

### **Independent Auditors' Report on State of Utah Legal Compliance**

Honorable Board of Directors, Uintah Basin Association of Governments  
Duchesne, Uintah & Daggett Counties  
Roosevelt, Utah

We have audited the general purpose financial statements of Uintah Basin Association of Governments, Utah, for the year ended June 30, 2005 and have issued our report thereon dated December 16, 2005. As part of our audit, we have audited Uintah Basin Association of Governments' compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the *State of Utah's Legal Compliance Audit Guide* for the year ended June 30, 2005.

The Association received the following major State assistance programs from the State of Utah: Aging and Adult Services, Olene Walker Housing and Home Contracts, and Community Impact Board grants.

The Association also received the following nonmajor grants which are not required to be audited for specific compliance requirements; however, these programs were subject to testwork as part of the audit of Uintah Basin Association of Governments's financial statements: Emergency Food Networks, Emergency Home Repair, and Planning Grants.

Our audit also included testwork on the Association's compliance with those general compliance requirements identified in the *State of Utah's Legal Compliance Audit Guide*, including: Public Debt, Cash Management, and Purchasing Requirements.

The management of Uintah Basin Association of Governments is responsible for the Association's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether a material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements. We believe that our audit provides a reasonable basis for my opinion. The results of our audit procedures disclosed no instances of noncompliance with the above requirements.

In our opinion, Uintah Basin Association of Governments complied, in all material respects, with the general and major program compliance requirements identified above for the year ended June 30, 2005.

**Aycock, Miles & Associates, CPAs**

December 16, 2005